

**UNITED STATES DISTRICT COURT
DISTRICT OF NEVADA**

AEVOE CORP.,

Plaintiff,

vs.

I-BLASON LLC,

Defendant.

Case No. 2:15-cv-00149-RFB-CWH

ORDER

This matter is before the Court on Defendant i-Blason LLC's ("defendant") motion to stay litigation (doc. # 68), filed November 24, 2015, Plaintiff Aevoe Corporation's ("plaintiff") response (doc. # 76), filed December 15, 2015, and defendant's reply (doc. # 78), filed December 18, 2015. Also before the Court are defendant's motion to expedite (doc. # 70), filed December 3, 2015, plaintiff's response (doc. # 74), filed December 11, 2015, and defendant's reply (doc. # 77), filed December 15, 2015.

BACKGROUND

This is a patent infringement action involving U.S. Patent No. 8,044,942 (" '942 patent"). The '942 patent is a touch screen protector for handheld electronic devices such as the iPhone and iPad. See Doc. # 1; Doc. # 9. Plaintiff filed this action on January 26, 2015. See Doc. # 1. Defendant filed an answer on April 16, 2015. See Doc. # 23. The Court subsequently entered a scheduling order and protective order in this case. See Doc. # 42; Doc. # 45. Thereafter, a preliminary injunction, to which defendant consented, was entered in the case. See Docs. # 62-64. Defendant now brings a motion to stay and a motion to expedite for this Court's review. See Doc. # 68; Doc. # 70.

DISCUSSION

1. Motion to Stay Litigation (doc. # 68)

Defendant asks the Court to stay this action because: (1) a petition for inter partes review is currently pending before the U.S. Patent & Trademark Office (“PTO”), Patent Trial and Appeal Board (“PTAB”), which challenges the validity of all independent claims relating to the patent at issue in this action, and (2) a related case, Racing Optics v. Aevoe, No. 2:15-cv-01774-RCJ-VCF (complaint filed Sep. 15, 2015) implicates the patent at issue in this litigation and would subject defendant to “double jeopardy.” Doc. # 68 at 2. According to defendant, case law demonstrates that a stay is appropriate pending resolution of an inter partes review. Id. at 4 (citing, among others, Capriola Corp. v. LaRose Indus., LLC, No. 8:12-CV-2346-T-23TBM, 2013 WL 1868344, at *3 (M.D. Fla. Mar. 11, 2013) and Unwired Planet, LLC v. Square, Inc., No. 3:13-CV-00579-RCJ, 2014 WL 4966033, at *5 (D. Nev. Oct. 3, 2014)). Defendant also contends that a stay would simplify the issues in this action and would not unduly prejudice plaintiff in light of the infancy of the case. Without a stay, defendant contends that it would be unfairly “forced” to settle the case to avoid litigation costs. Defendant therefore concludes that a stay is warranted.

Plaintiff, in response, argues that a stay would be prejudicial because the PTAB has not yet instituted an inter partes review and may not do so for months. Even if it does, plaintiff argues that a final decision will likely require a three-year-minimum time line, which would be costly to plaintiff. Contrary to defendant’s assertion, moreover, plaintiff argues that Racing Optics was filed only three months ago and does not involve the ‘942 patent or any patent owned by plaintiff. Given such, plaintiff argues that it would be highly inefficient to delay this case and wait for a decision in Racing Optics. Plaintiff next argues that this case is far from its infancy because the parties have been litigating for nearly a year, with fact discovery set to close in just over two months and joint claim construction and pre-hearing statements already filed. Plaintiff then points out that defendant has conceded it is plaintiff’s direct competitor, and the ‘942 patent already survived the PTO’s reexamination twice, which lends further support against staying the case. According to plaintiff, defendant’s cited authority also undermines its arguments and supports a finding of prejudice because in Unwired Planet, for example, a court in this district found that “Plaintiff had incurred significant

1 fact discovery and other pretrial expenses” prior to the Markman hearing, and therefore the court
2 concluded that a stay was inappropriate. Doc. # 76 at 11. Plaintiff also points out that another court
3 from this district denied a motion to stay, noting that the Federal Circuit has held that a district court
4 ordinarily should not grant both a preliminary injunction and stay.” Id. (citing Aevoe Corp. v. AE
5 Tech Co., Ltd., No. 2:12-cv-00053-GMN-NJK, ECF. No. 346 (D. Nev. filed Aug. 27, 2013)). Plaintiff
6 adds that a stay would prevent it from obtaining “full” third-party discovery, and in light of the
7 resources expended thus far, along with defendant’s improper sales of its remaining inventory (doc.
8 # 59) and the subsequent preliminary injunction entered (doc. # 64) against defendant, plaintiff
9 concludes that a stay is inappropriate.

10 In reply, defendant restates its earlier assertions. Defendant also contends that plaintiff fails
11 to disclose the previous examinations involving the Murphy prior art, which defendant now relies upon
12 in its request for inter partes review before the PTAB. Defendant adds that if the inter partes review
13 is successful, it would invalidate the ‘942 patent and moot the instant case. Contrary to plaintiff’s
14 assertion, moreover, defendant points out that the vast majority of fees and expenses are still to come.
15 Defendant then points out that courts have recently granted stays in cases that have “progressed
16 significantly farther” in litigation than this case pending an inter partes review. Doc. # 78 at 6 (citing,
17 among others, PersonalWeb Technologies, LLC v. Apple Inc., 69 F. Supp. 3d 1022, 1026 (N.D. Cal.
18 2014)). Defendant adds that while plaintiff cites case law from the Federal Circuit to conclude that
19 a district court should not grant both a preliminary injunction and stay, a review of Federal Circuit case
20 law reveals the court has held that after a district court decides a motion for preliminary injunction,
21 “the district court of course remains free to exercise its discretion and stay the case pending
22 reexamination should either party so move.” Id. at 8 (citing Procter & Gamble Co. v. Kraft Foods
23 Glob. Inc., 549 F.3d 842, 849 (Fed. Cir. 2008)). Defendant further contends that plaintiff improperly
24 speculates as to defendant’s infringing conduct while citing defendant’s previous admission of
25 accidental sales based on a mistake resulting from poor communication between defendant’s U.S.
26 office and Chinese sub-contractor. However, defendant points out that the incident occurred before
27 the preliminary injunction was entered and, since that time, defendant has destroyed the remaining
28 inventory except for a few samples that will be used in this litigation. Thus, defendant concludes that

1 plaintiff's speculation is not credible in light of the fact that defendant consented to the preliminary
 2 injunction, and in the absence of evidence showing defendant is currently infringing, intending to
 3 infringe, and is capable of infringing plaintiff's patent, a stay is warranted in this case.

4 Courts have broad discretionary power to control discovery including the decision to allow or
 5 deny discovery. See e.g., Little v. City of Seattle, 863 F.2d 681, 685 (9th Cir. 1988); Landis v. North
 6 American Co., 299 U.S. 248, 254 (1936). This power to stay is "incidental to the power inherent in
 7 every court to control the disposition of the causes of action on its docket with economy of time and
 8 effort for itself, for counsel, and for litigants." Landis, 299 U.S. at 254.

9 In exercising its discretion, the Court considers four factors in staying a patent case, including:
 10 (1) whether a stay will unduly prejudice or present a clear tactical disadvantage to the nonmoving
 11 party; (2) whether a stay will simplify the issues in question and the trial of the case; (3) whether
 12 discovery is complete; and (4) whether a trial date has been set. See Loc. R. 16.1-20.¹ The Court notes
 13 that, under the Leahy-Smith America Invests Act ("AIA"), the inter partes reexamination proceeding
 14 was replaced with an inter partes review process that requires the PTO to decide within three months
 15 whether to grant the request for review. See 35 U.S.C. § 314(b); Semiconductor Energy Lab. Co. v.
 16 Chimei Innolux Corp., No. SACV 12-21-JST JPRX, 2012 WL 7170593, at *1 (C.D. Cal. Dec. 19,
 17 2012).

18 Under the first of four factors, the Court observes that there is only one patent at issue, and
 19 there is no risk of sales of the infringing products in light of the injunction entered, to which defendant

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 23 ¹ The Court observes that its local rule governing stays in patent cases mirrors the AIA's four-part test. See AIA
 24 § 18(b)(1) (Factors for review include: (1) whether a stay, or denial thereof, will simplify the issues in question and
 25 streamline trial; (2) whether discovery is complete and whether a trial date has been set; (3) whether a stay, or denial thereof,
 26 would unduly prejudice the nonmoving party or present a clear tactical advantage for the moving party; and (4) whether a
 27 stay, or denial thereof, will reduce the burden of litigation on the parties and on the court.). The Court also notes that its
 28 local rule closely aligns with the standard used by at least one district in the Ninth Circuit that has decided the issue of
 whether to stay a case pending an inter partes review. See e.g., DSS Tech. Mgmt., Inc. v. Apple, Inc., No. 14-CV-05330-
 HSG, 2015 WL 1967878, at *2 (N.D. Cal. May 1, 2015) (Factors for review include: (1) whether discovery is complete
 and a trial date has been set; (2) whether a stay will simplify the issues and trial of the case; and (3) whether a stay would
 unduly prejudice or present a clear tactical advantage to the non-moving party.); Evolutionary Intelligence, LLC v.
Facebook, Inc., No. C 13-4202 SI, 2014 WL 261837, at *1 (N.D. Cal. Aug. 21, 2014) (same).

1 freely consented, and defendant's destruction of the offending products.² Thus, while plaintiff and
2 defendant are market competitors, the Court finds no evidence of a threat to plaintiff's goodwill or
3 market position. See Cypress Semiconductor Corp. v. GSI Tech. Inc., No. 13-CV-02013-JST, 2014
4 WL 5021100, at *5 (N.D. Cal. Oct. 7, 2014) (evidence must be presented substantiating an argument
5 that direct competition will result in prejudice). The Court also finds that mere delay as a result of a
6 stay does not establish undue prejudice. See Universal Elecs., Inc. v. Universal Remote Control, Inc.,
7 943 F. Supp. 2d 1028, 1033 (C.D. Cal. 2013) ("Mere delay in the litigation does not establish undue
8 prejudice."). Moreover, the Court finds that defendant has been forthcoming in this action and there
9 is nothing to indicate that defendant is somehow gaming the system. The Court further finds that
10 plaintiff merely speculates as to its purported inability to obtain "full" third-party discovery, without
11 presenting facts in support of its assertion. As such, the Court finds that the first factor weighs in favor
12 of a stay.

13 Under the second factor, the Court notes that defendant sought inter partes review of the patent
14 and claims at issue. If the petition for review is granted, there is a good chance the review will
15 simplify the case by rendering moot some or all of the claims regarding the '942 patent. The case
16 would be simplified, as it would either end this action or eliminate claims or arguments, while also
17 providing the Court with the PTAB's expert opinion on the claims and patent at issue. Additionally,
18 if the PTAB denies the petition for review, the stay would be a brief period of only two months. Given
19 such, the Court concludes that this factor weighs in favor of a stay.

20 Under the third and fourth factors, the parties do not dispute that discovery remains, no trial
21 date has been set, and joint claim construction and pre-hearing statements were filed. While the case
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23 ² Plaintiff has pointed out that Federal Circuit case law holds that a district court ordinarily should not grant both
24 a preliminary injunction and a stay. See Doc. # 76 at 11. The reason is that a stay pending PTO review is appropriate only
25 when there is a substantial issue of patentability raised for inter partes review, while the injunction against the accused
26 infringer is appropriate only if there is no substantial issue of patentability. See Procter & Gamble, 549 F.3d at 849. As
27 such, a court would be required to choose one or the other based on a review of the patent and relevant facts of the case.
28 In the instant action, however, defendant freely consented for an injunction to be entered against it, thereby precluding the
Court from engaging in a comprehensive review of all the issues involved in determining a typical motion for preliminary
injunction. At this juncture, moreover, the Court is only considering a temporary stay of the case, with the Court remaining
free to lift the stay at any point in this litigation. The Court therefore sees no conflict in exercising its discretion to stay the
case pending an inter partes review. See id. ("[T]he district court of course remains free to exercise its discretion and stay
the case pending reexamination should either party so move").

1 is not in its early stages but in the midst of discovery, a significant amount of work still remains,
2 including expert discovery, summary judgment motions, claim construction, and trial. PersonalWeb,
3 69 F. Supp. 3d at 1026 (case is not so far advanced that a stay would be improper where the parties are
4 not yet engaged in significant and costly work of expert discovery and summary judgment motions,
5 and the pretrial conference is still six months away). Indeed, the Court finds that a stay would not only
6 conserve judicial resources, but the parties' resources as well. The Court therefore finds that a stay
7 at this stage of the litigation would not be improper.

8 In conclusion, the Court finds that the totality of circumstances warrant issuing a stay at this
9 time pending the PTAB's decision on whether to institute an inter partes review.

10 **2. Motion to Expedite (doc. # 70)**

11 Because the Court has already addressed defendant's motion to stay (doc. # 68), the request
12 to expedite review (doc. # 70) of that motion is denied as moot.

13 **CONCLUSION AND ORDER**

14 Accordingly, **IT IS HEREBY ORDERED** that defendant's motion to stay litigation (doc.
15 # 68) is **granted in part**. The instant action will be temporarily stayed pending the decision by the
16 PTAB on whether to institute an inter partes review. The parties shall file a joint status report **within**
17 **five days** of the issuance of the PTAB's decision on whether to institute an inter partes review,
18 informing the Court of the PTAB's decision. Upon filing of the foregoing, the parties shall await
19 further order of this Court.

20 **IT IS FURTHER ORDERED** that defendant's motion to expedite (doc. # 70) is **denied as**
21 **moot**.

22 DATED: January 7, 2016

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25 C.W. Hoffman, Jr.
26 United States Magistrate Judge
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